

ANALYSIS OF AMENDED BILL

Author: Assembly Budget Committee Analyst: Nicole Kwon Bill Number: AB 1806
 Related Bills: See Legislative History Telephone: 845-7800 Amended Date: June 27, 2006
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT:

Enterprise Zones/Department of Housing & Community Development (DHCD)
 Charge A Fee For Issuance Of Certificates/State Audits

SUMMARY

For purposes of the provisions impacting the Franchise Tax Board (FTB), this budget trailer bill would do the following:

1. Repeal the sunset date for DHCD to assess and collect a fee assessed to Enterprise Zones for each application for a hiring credit voucher certificate.
2. Modify an existing reporting requirement regarding state agency's internal accounting systems.

SUMMARY OF AMENDMENTS

The June 27, 2006, amendments removed intent language and added provisions relating to the implementation of the budget.

This is the department's first analysis of this bill. This analysis will only include a discussion of the provisions impacting the department.

PURPOSE OF THE BILL

The purpose of the bill is to enact statutory changes relating to the Budget Act of 2006.

EFFECTIVE/OPERATIVE DATE

As an urgency statute, this bill would be effective and operative upon enactment.

POSITION

Pending.

Board Position:

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 _____ N _____ OUA _____ X PENDING

Department Director

Selvi Stanislaus

Date

7/27/06

1. Enterprise Zones/Department of Housing & Community Development (DHCD) Charge A Fee For Issuance Of Certificates

STATE LAW

Under the Government Code, state law provides for several types of Economic Development Areas (EDAs): Enterprise Zones (EZs), Manufacturing Enhancement Areas (MEAs), Targeted Tax Areas (TTAs), and Local Agency Military Base Recovery Areas (LAMBRAs).

Under the Revenue and Taxation Code, existing state law provides special franchise and income tax incentives for taxpayers conducting business activities within an EDA. These incentives include an income and franchise tax hiring credit for taxpayers operating in an EDA. Taxpayers operating in an EDA are allowed the hiring credit for employing "qualified employees." "Qualified employees" for EDAs are defined by reference to various state and federal public assistance programs. A taxpayer located in an EDA is allowed a credit of up to 50% of wages paid to "qualified employees." The voucher certificates are issued by a local or state agency familiar with the public assistance statutes.

Existing state law allows local governments administering an EZ to issue vouchering certificates for the hiring credit. DHCD is authorized to develop regulations that govern the issuance of vouchering certificates by these local governments.

DHCD also has the authority, until July 1, 2006, to charge a fee of up to \$10 for each application for a hiring credit voucher certificate under the EZ in order to cover the costs of administering the program. If the Franchise Tax Board (FTB) rejects a vouchering certificate, DHCD is required to refund any fees assessed or collected.

THIS PROVISION

This provision would repeal the sunset date of July 1, 2006, for DHCD to charge the \$10 fee, thus making the authority to assess a fee permanent.

IMPLEMENTATION CONSIDERATIONS

This provision would not significantly impact the department's programs or operations.

LEGISLATIVE HISTORY

SB 763 (Lowenthal, 2005/2006) would, among other things, repeal the sunset date for DHCD to charge fees for vouchering certificates for EZs, MEAs, and LAMBRAs. This bill is currently in the Assembly Appropriations Committee.

SB 1097 (Senate Budget Comm., Stat. 2004, Ch. 225) authorized local governments to issue vouchering certificates and authorized DHCD to issue emergency regulations to govern local governments and assess a fee for the administration of the EZ hiring credit.

FISCAL IMPACT

This provision would not impact the department's costs.

ECONOMIC IMPACT

This provision would not impact the state's income tax revenue.

2. State Audits

STATE LAW

Existing law requires state agencies to prepare and submit a report on the adequacy of the agency's systems of internal accounting and administrative control by December 31 of each odd-numbered fiscal year and to identify any material inadequacy or material weakness in these systems and a plan and schedule for corrections.

THIS PROVISION

This provision would require the director of the Department of Finance, in consultation with the State Auditor and the State Controller, to establish a system of reporting and a framework for state agencies to use in conducting their biennial reviews of their accounting and administrative control systems.

This provision would require state agencies to provide the director with a plan to correct any inadequacies that have been identified and update the plan every six months until all corrections are completed.

IMPLEMENTATION CONSIDERATIONS

The department currently provides the report as required. As a result, this provision would not significantly impact the department's programs.

FISCAL IMPACT

This provision would not significantly impact the department's costs.

ECONOMIC IMPACT

This provision would not impact the state's income tax revenue.

LEGISLATIVE STAFF CONTACT

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